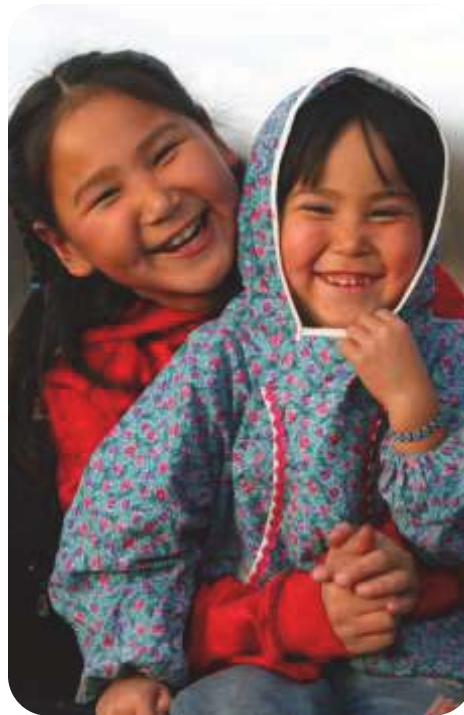


High-Cost USF in Remote Alaska

Freeze, Mature, Retarget



Freeze current support allow the market to **Mature** **Retarget** support where needed



Freeze the \$105 Million in current annual Alaska CETC Support

For 5 years, freeze the \$78 M in annual *Remote Alaska* CETC support, on a per carrier basis at 2014 support levels with accountability to support mobile service in areas *not* served by AT&T/Verizon LTE

With the remaining \$27 M in annual CETC support, conduct a reverse auction for only Alaska communities with *no wireless service*

At the end of 5 years, retarget the \$105 M in annual support to maintain and expand service in areas of Alaska where AT&T/Verizon have not deployed LTE

A Nationwide Auction Would Not and Could Not Achieve the FCC's Performance Objectives



The Brattle Group has estimated that the incremental net cost to achieve 768 kbps downstream/256 kbps upstream service for all Alaska communities would be ***\$260 million per year***.

Alaska CETCs collectively receive ***\$105 million per year***, reduced from \$123 million in 2011.

A nationwide reverse auction for TMF 2 could further drop Alaska CETC support to anywhere from ***\$5 million to \$87 million -- not nearly enough to reach the FCC's performance objectives.***

High-Cost Support Remains Necessary to Erase the Wireless Service Deficit in Rural Alaska

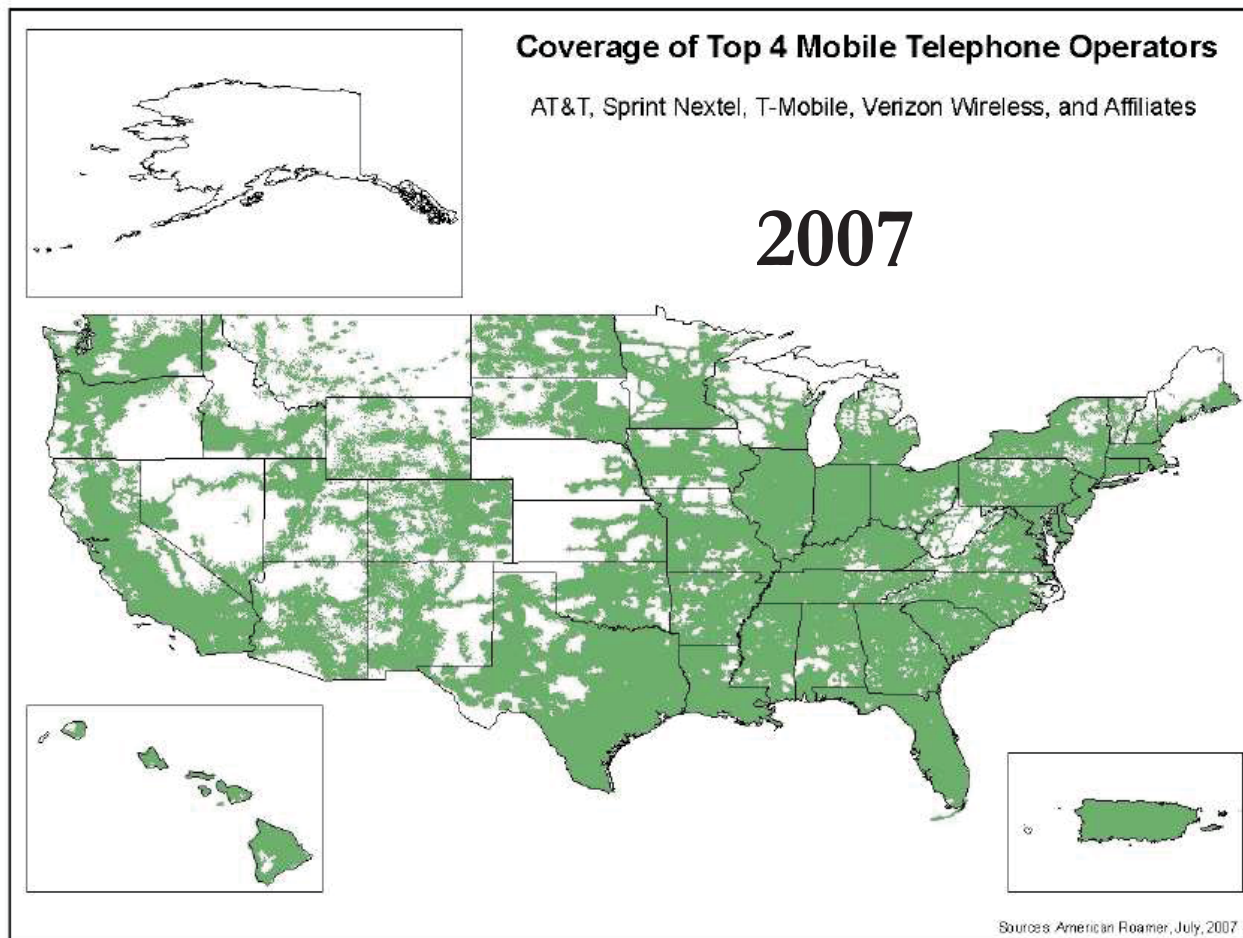


National carriers have not met Alaska's ***statewide*** wireless needs; AT&T and VZW provide LTE service only to areas connected to the State's limited fiber backbone.

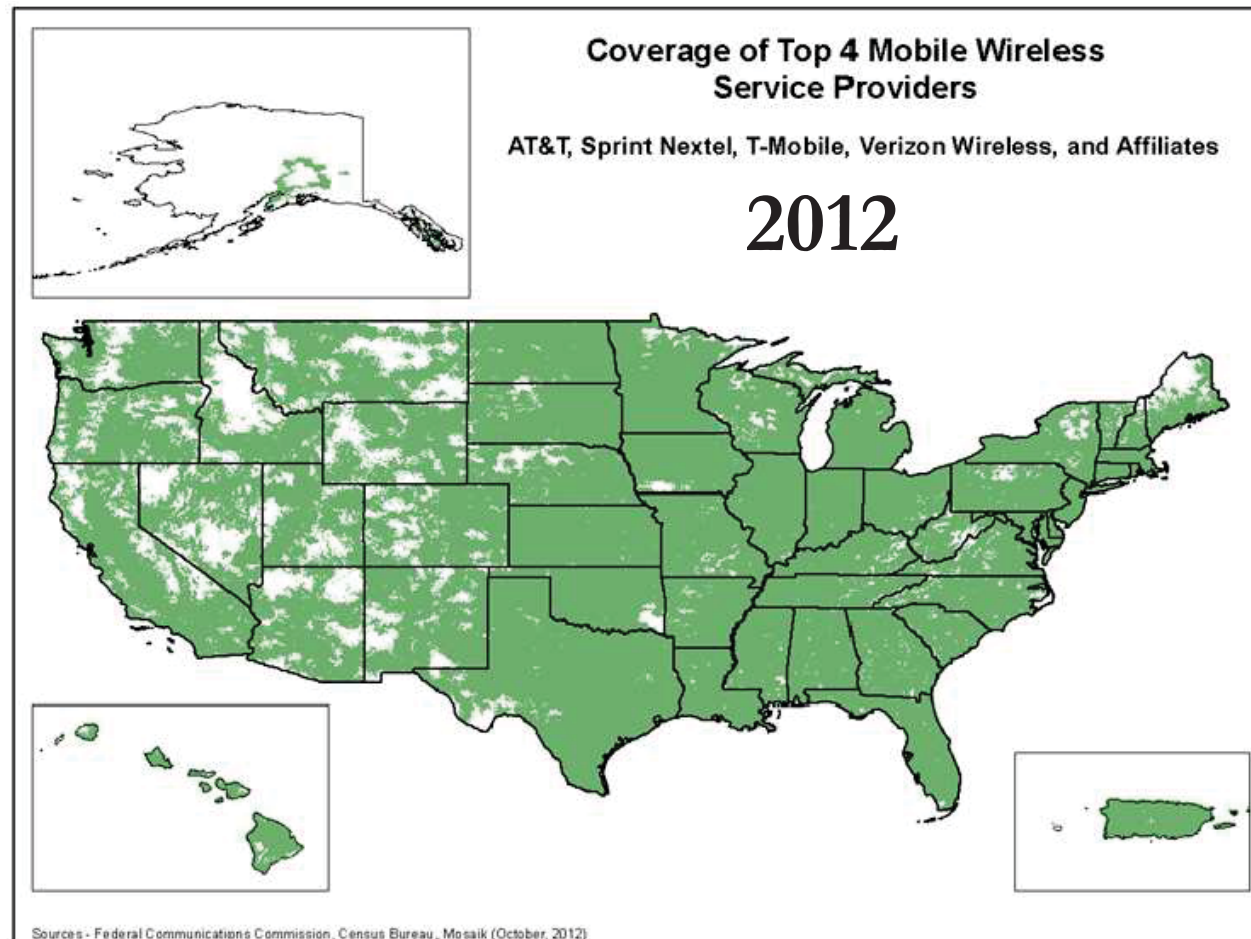
GCI built the only rural *and* urban wireless network, leveraging USF support to access required private financial capital, but rural service continues to lag behind urban Alaska and the contiguous U.S.

Stable universal service support for Remote Alaska is necessary to meet the FCC's mobile broadband performance targets, to preserve and expand service locations, and to prevent a widening service gap for rural Alaskans.

The National Carriers Were Slow to Reach Alaska...



...And We Cannot Count on Them to Serve Rural Alaska in the Future





Pre-2008 Wireless Status

- GCI or ACS Service
- No Mobile Service (or limited service w/o roaming)

Prior to 2008, Modern Wireless Service Was Extremely Limited



2011 Wireless Status

- GCI or ACS 3G
- GCI or ACS 2G
- Other 2G
- No Mobile Service

The predictable support from the FCC's 2008 Tribal Lands CETC Policy spurred deployment.

What have we done (with less) since 2011?

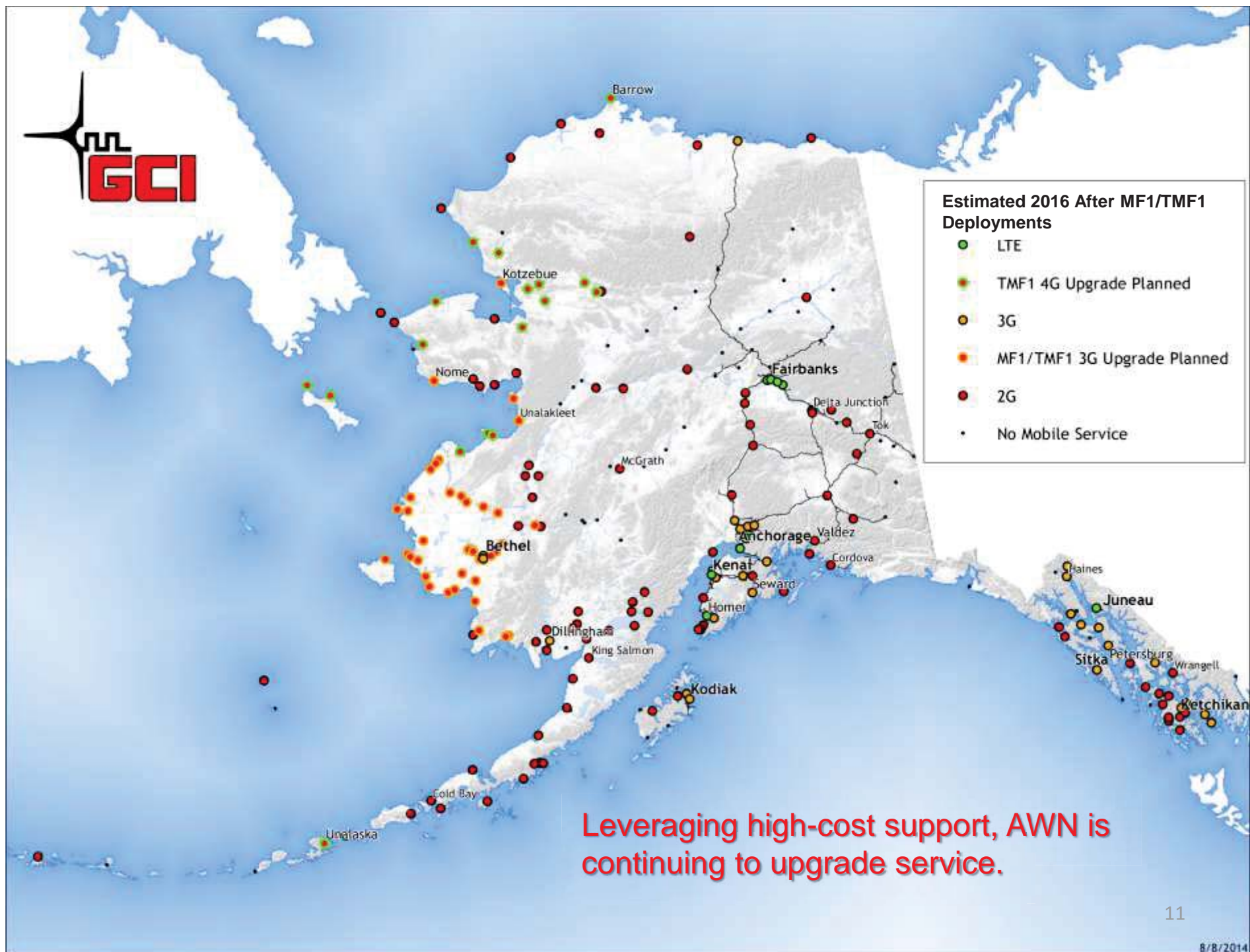


Through the Alaska Wireless Network (AWN) combination, we deployed 4G LTE to the most populated, fiber-served road areas.

We had varying success in the MF1/TMF1 auctions, winning bids to upgrade 60 rural communities to 3G or 4G service in areas where we could support the backhaul.

But, recurring support was insufficient to expand service to all but a few unserved locations and will be inadequate to handle increased backhaul demands to many of our served locations.





Leveraging high-cost support, Awn is continuing to upgrade service.

Freeze, Mature, Retarget to Move Closer to the FCC's Performance Goals



Provides the five year predictability necessary to facilitate mobile broadband deployment to underserved areas; directly supports mobile voice/broadband service to unserved areas; targets CETC support away from ATT/Verizon LTE areas

Allows the Alaska wireless markets to mature (MF1/TMF1 deployments and AT&T/VZW LTE buildout) and Alaska's middle-mile networks to evolve before deciding how to further retarget support

Simpler to administer; obviates the need for line count updates

During the five years, mobile ETCs held to objective measurable standards to move nearer to the FCC's mobile broadband goals